16-613

BRIEF FOR APPELLANTS.

UNITED STATES SUPREME COURT.

OCTOBER TERM, 1882.

No. 1134.

ANDREW ALBRIGHT ET AL., APPELLANTS,

vs.

ANDREW TEAS, APPELLEE.

APPEAL FROM DISTRICT OF ~~IOWA~~.

BRIEF OF APPELLANTS ON MOTION OF APPELLEE TO ADVANCE AND DISMISS UNDER THE 32D RULE.

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In the United States Supreme Court.

OCTOBER TERM, 1882.

ANDREW ALBRIGHT, AND AL.,
Appellants,
vs.
ANDREW TEAS,
Appellee.

No. 1134.

BRIEF OF APPELLANT

On motion of Appellee to advance and dismiss under the 32d rule.

This cause was removed from the Court of Chancery of New Jersey to the U. S. Circuit Court, after so much of the testimony of the plaintiff had been taken as to develop fully the nature of the controversy.

Further testimony was taken on both sides, and the cause came to final hearing. At that point the Circuit Court made an order remanding the cause as not properly removable.

From this order the defendants below appealed.

Both parties desire the cause to be advanced under the 32d rule.

That rule provides that such cases shall be advanced, and heard under the rules applicable to motions to dismiss.

The motion of the appellee is to dismiss.

When the case is advanced it is to be "heard," as it

would be if regularly reached, except that it is to be heard under the rules applicable to motions to dismiss.

That is to say, it is to be heard upon briefs submitted in the first instance, and if on looking into them the Court desires further argument it will be so ordered—not "*in connection with* the hearing on the merits," but as such hearing itself—the whole question being whether the decree or order remanding the cause should be affirmed or reversed.

Whatever be the form of bringing the appeal before the Court, the only question is, as stated by the counsel of the appellee, "Did the Circuit Court have jurisdiction?" or more precisely, "Was the cause properly removable, as 'a case arising under the constitution or laws of the United States,'" within the meaning of the act of March 3, 1875?

The counsel of the appellee, in their brief, have wholly failed to state the real nature of the case as made by the pleadings, and more fully disclosed by the testimony taken before removal, and the orders and stipulations made.

By this omission, they are enabled to argue that this case is within the principle of Hartell v. Tighlman, 99 U. S. 547, which held that "a suit between citizens of the same State cannot be sustained in the Circuit Court as arising under the patent laws of the United States, where the defendant admits the validity and his use of the plaintiffs' letters patent and a subsisting contract is shown governing the rights of the parties in the use of the invention."

We insist on the other hand, that a true statement of the nature of the issue made by the pleadings, and exhibited more definitely by the petition of removal and the subsequent orders of the Court, will show

1. That the case does arise under the patent laws.
2. That the validity of the patents in question is not admitted by one of the defendants at least.
3. That the use of them by the defendants below—so far as any controversy exists as to such use—is not admitted, but explicitly denied.

4. That the subsisting contract shown, and claimed to govern the rights of the parties in the use of the inventions, is the subject of the only controversy in the cause, and necessarily depends upon the construction of the patents and the laws of the United States.
5. That the only question in the cause is in effect a question of infringement, viz.: Whether the three defendants, as a copartnership, do infringe the patents of the plaintiff below assigned without consideration to *two* of the defendants, on an agreement to manufacture the patented articles, and defend the patents from infringement, and to pay agreed royalties and percentages upon all the articles made and sold.

In order to show that these propositions are true, it will be necessary to state clearly the nature of the case as disclosed in that part of the voluminous record which has been printed. None of the testimony—which reached 700 printed pages—has been printed for this motion.

The bill was filed by Andrew Teas against Andrew Albright, Edwin R. Cahoone and Samuel E. Tompkins. It alleged that Teas was the original inventor and patentee of certain improvements in coach pads, harness saddles and saddle trees. That on Feb. 21, 1876, he made an agreement, not with the three defendants against whom the suit is brought, whose partnership was formed afterwards, but with Albright and Cahoone, which is set out in full in the bill and is in substance to this effect: That for a nominal consideration Teas would make assignments of these three patents to Cahoone and Albright, and of certain letters patent for which he had made application, and also any other patents that he should obtain for improvements in saddles and coach pads, and that Cahoone and Albright would use their best endeavors to manufacture the goods for mutual advantage, and to pay him certain specified royalties, and would

pay all expenses for procuring the patents and sustaining them against infringers for mutual advantage.

The bill alleges further, that Teas did assign the patents, and that the agreement was in full force; that he has tried to obtain access to their books to ascertain the amount due to him, that they have failed to render proper statements and that he believes that there is a large amount due. That a large amount of goods have been manufactured by Albright & Cahoone under the name of Cahoone Manufacturing Company, and by Tompkins, Albright & Cahoone under the name of Samuel E. Tompkins, Cahoone & Company. That at first the business was carried on by Albright & Cahoone, and that afterwards and at the time of filing the bill, by Tompkins, Cahoone & Co., that the accounts are complicated and Cahoone & Albright have caused the goods to be manufactured in such manner that they have applied in some cases the principles of several patents to one article.

The bill prays a discovery and account against all the defendants concerning the royalties and percentages claimed under the agreement, and that Albright and Cahoone be decreed to pay the amount found due.

The defendants, Albright and Cahoone, filed a joint and several answer and Samuel E. Tompkins answered separately. Albright and Cahoone do not admit that Teas was the original inventor, but they admit the agreement, the assignments of the patents in pursuance of it, and that it remains in force. They deny that Teas has not had full access to the books. They insist that they have rendered full accounts and made all payments due under the agreement, and deny that any goods have been made by either firm embracing any of the improvements in the patents which have not been fully accounted for. They deny that the accounts are complicated, and insist that if any differences exist between the parties they arise from a wrong construction of the agreement and from unfounded claims

as to his rights under it; that at the time of the agreement they were in litigation with Tompkins as to the validity of certain patents held by him concerning saddle trees; that the litigation and rivalry injured the business of both; that they made a settlement in October, 1877, and united their business, which has since been carried on by the firm of Tompkins, Cahoone & Co., which has been entitled to use all the patents of both parties; that goods have been made in which they have applied the Teas patents in connection with other patents.

That the business of the present firm embraces many goods not covered by any of the Teas patents, and many which embraced both; that Tompkins has always disputed the validity and value of the Teas patents and claimed that any goods made under them were infringements of his, and that he is not bound to pay any royalties; that Albright and Cahoone were anxious to fulfill the agreement and have paid royalties on all goods which on any reasonable construction can be held to embrace any of Teas' improvements; that they have paid in full, and if Teas demands more, it is only because he claims without reason that goods made under the patent of Tompkins are infringements of his. The defendants insist that the question of such infringement cannot be tried in the State Court, but also deny any such infringement. They also insist that if any money were due on the agreement, the complainant's remedy is at law and not in equity.

The answer of Tompkins takes substantially the same grounds, sets up the litigation and subsequent union of business; denies all part in the agreement with Teas and all obligation under it. He alleges that although disputing the validity of the Teas patents he has always desired to enable Albright and Cahoone, his partners, to fulfill their agreement fairly with the complainant; that it has been fulfilled and all moneys paid which are properly payable on goods made under the Teas patents, and that if he claims

more, it is only because he claims without reason that goods made under the patents of the defendant Tompkins are infringement of the Teas patents.

Replications were filed and the plaintiff proceeded to take his testimony, which continued through 117 printed pages before the petition for removal was filed. He put in evidence as exhibits, the agreement and the several assignments, duly recorded in the Patent Office.

This petition was not filed until it manifestly appeared that the only controversy remaining was as to whether the goods made under the Tompkins and other patents owned by defendants were really infringements of the Teas patents and therefore subject to the royalties payable by Albright and Cahoone under the agreement.

In order to reduce this controversy to the simplest form the solicitors of the complainant on the 14th of October, 1879, wrote to the solicitors of the defendants a letter containing a long list of the various articles manufactured and requested them to check off in ink all which the defendants claimed were not subject to royalty or percentage in the cause. To which the solicitors of the defendants replied October 27, giving a list of nineteen of the articles named in the complainant's list, which were claimed by the defendants not to be included in the agreement, and not to embrace any of the improvements covered by the Teas patents, and claiming as to all the others named that the amounts due under the agreement were fully paid at the time of filing the bill. This letter closed with this statement:

"If the complainant claims that the goods herein first "enumerated are embraced in the patents mentioned in the "agreement the defendants deny that claim, and insist that "before any inspection of the books as to these articles "shall be ordered the question whether the patents speci- "fied in the agreement do in fact cover these articles, should "be examined and judicially determined."

These letters are printed in the record prepared for this motion.

This claim being distinctly made by the complainant in his cross-examination as to these letters and attempted to be supported by expert proof, the petition for removal was filed in June, 1880.

By this petition the removal is placed upon the ground that the suit was one arising under the laws of the United States, reciting the nature of the pleadings as before set forth, and these two letters, and alleging that the main burden and purpose of the testimony then taken had been to show that the articles made and sold by the defendants upon which they refused to pay royalty were in fact made under his patents and embraced his improvements; that he endeavored to show that all the articles sold by the defendants were covered by his patents and liable to royalty, and that any persons manufacturing them without royalty would be infringers, and that he had called and examined experts to sustain these claims.

Upon filing this petition the complainant moved to remand, but upon the argument of that motion it was agreed that all further and other proceedings in the cause should be had and finally determined in the United States Courts, including all questions as to the amount of percentage and royalty due to the complainant from the defendants, and especially as to what articles except those admitted by the defendants to be subject to royalty had been manufactured by the defendants under the assigned patents, and the amount of percentage and royalty due thereon.

Upon this agreement in open court an interlocutory decree was made by consent, reciting the agreement and directing a reference to a Master to take an account of the articles sold by the defendants stated in detail in the decree, and being those which in the correspondence above referred to were admitted by the defendants to be covered by the agreement, and the Master was directed to ascertain the amount due, if anything, on those articles on the 1st of January, 1880, and also on the 8th of May, 1879, when the bill was filed.

This account has been taken and the Master's report filed, and no controversy remains as to the articles named in this interlocutory decree.

After this interlocutory decree the testimony on both sides proceeded concerning the remaining question in the cause, which was whether the other articles named in the defendants' letter of October 27, being nineteen in number, were in fact covered by the Teas patents, and to what extent they had been sold.

During the progress of the testimony a motion was made by the defendants to strike out part of the complainant's testimony, whereupon an order was made October 10, 1881, reciting that the defendants had moved the court to strike out so much of the testimony as relate to an allegation that E. R. Cahoone patented things invented by others and directing that certain testimony be allowed to stand and all other testimony on that subject taken by either side be striken out.

The testimony was closed Oct. 18, 1881. The case came on for final hearing when as a preliminary matter the counsel for the defendants suggested that the pleadings raised the question of jurisdiction, and insisted that the court could not entertain the suit in equity because the complainant had a plain, adequate and complete remedy at law. Sec. 723 Rev. Stat. Upon this suggestion the complainant insisted upon renewing his motion to remand, notwithstanding the agreement cited in the interlocutory decree by consent, and the Circuit Court upon this suggestion filed the opinion and made the order remanding the cause from which this appeal was taken.

It is evident from this review of the proceedings in the cause, that this is not a case in which the controversy arises out of the contract between the parties, and depends only upon claims and defences springing from the terms of contract itself. If this were so, the case would not be one of

federal jurisdiction, although the subject matter of the contract is one arising out of federal legislation.

It is only because the controversy was merely of such a nature that jurisdiction has been denied in the several cases where the question has been considered—ending with Hartell vs. Tighlman, 99 U. S. 547.

Before pointing out the essential differences which appear in this case, we will give a brief abstract of the cases referred to.

The case of Wilson v. Sandford, 10 Howard, 99, of which the judge of the Circuit Court remarks that it put the question at rest, was a bill in equity to set aside a contract for the use of planing machines in certain cities, and an injunction to restrain further use, on the single ground of refusal to comply with the conditions of the contract. There was a demurrer to the bill and nothing else in the case to show that it involved any question arising under the patent laws. Chief Justice Taney affirmed the decree, dismissing the bill on the ground that the controversy arose out of the contract, that the rights of the parties depended altogether upon common law and equity principles, and in no degree whatever upon any act of Congress concerning patent rights.

It is obvious that this case is totally different from that under consideration, where the parties themselves state in a stipulation that "the patents are the subject of the controversey," and the court in its opinion declares that questions of infringement and the construction of the claims of patents are necessarily involved. In Burr v. Gregory, 2d Paine, 426, which is one of the earliest cases on the subject, there was a demurrer to a bill for a specific performance of a contract relative to the transfer of an interest in a patent right. Neither party was the patentee; the plaintiff bargained with the defendant to buy the right from the patentee for the defendant if he would secure to him three-fifteenths of it, that the defendant purchased the right and got the assignment, but refused to give the plaintiff his

promised share. The prayer was that this agreement might be performed. Mr. Justice Thompson said, "the question was reduced to the simple point whether because the subject matter of the contract was a patent right, it gives the courts of the United States jurisdiction. This we think would be too large a construction of the constitution and laws of the United States. If the validity of the patent or the assignment could be drawn in question, it might alter the case."

Here the validity of the patent is distinctly drawn in question by Tompkins, one of the defendants, and it is not alleged or pretended that he entered into any contract with the complainant concerning them.

In Goodyear v. Day, 1st Blatchford, the bill was founded upon a special agreement between the plaintiff and defendant adjusting pending suits concerning patent rights. It charged a breach of the agreement and prayed an account. Jurisdiction was denied on the ground that the bill did not present a question of the infringement of a patent, but was brought for the violation of a contract. Nothing appears in the case to show that the violation complained of had any reference to the patents, or required any construction of the claims of the patents or the laws of the United States.

In Goodyear vs. Union India Rubber Company, the patentee granted licenses to certain parties upon certain royalties, which license became vested in the defendants. Goodyear transferred all his rights against the defendants to Judson. The defendants failed to pay the tariffs for three years. The bill alleged this failure and prayed for an account on payment. The defendants urged that they had good reasons for not paying, but these reasons do not appear in the report of the case. It was held that the United States Court had no jurisdiction, on the ground that the nonperformance by the licensee was not a violation of his rights as secured by a law of the United States, but a violation of his rights as secured by a covenant.

In that case there was a mere failure to pay money due for the use of a patent on an express contract, and no suggestion of any defence arising out of the patent laws, or requiring a construction of the claims of the patent.

In Merserole vs. the Union Paper Collar Company, 6 Blatchford, 356, there was a demurrer to a bill in equity. The plaintiffs were manufacturers of paper collars and assignees of a license granted by the defendants to the Norwich Paper Company to sell the patented articles on certain specified current tariffs. The assignment to the plaintiffs was with the defendants' consent, and the bill averred that the plaintiffs purchased the license on representations by the defendants that the patents were valid, and that the plaintiffs would be allowed to sell 4,000,000 collars without payment. It averred that the patents were void; that the consideration for the purchase failed; that the plaintiffs were claiming tariffs on the 4,000,000 collars, and prayed for an injunction to restrain from suing at law on the license; that the court would declare the patents void; that the license might be cancelled and the tariffs paid returned.

There was a demurrer to this bill. The court sustained the demurrer on the ground that the rights claimed by the plaintiff arose out of the license and agreement and the transactions thereunder, and not out of the patents or the law under which they were granted; that the suit so far as it was based on any alleged false representations arose out of a fraud committed by the defendants, and not under any Act of Congress, and that if the consideration failed because the patent was void, it was competent for the State court to decree the license void for fraud or any other adequate reason, although it might involve an inquiry whether there was anything new in patents which could operate as a consideration for the license and agreement.

This is one of the cases cited by the judge in his opinion in this cause, but it is manifest from this abstract that it

promised share. The prayer was that this agreement might be performed. Mr. Justice Thompson said, "the question was reduced to the simple point whether because the subject matter of the contract was a patent right, it gives the courts of the United States jurisdiction. This we think would be too large a construction of the constitution and laws of the United States. If the validity of the patent or the assignment could be drawn in question, it might alter the case."

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would be impossible for him to say of this case as he does of the case in hand, that it necessarily involved questions of infringement and the construction of the claims of the patents.

In Blanchard vs. Sprague, 1 Clifford, 288, the bill was filed distinctly for the infringement of patents served by the defendant and prayed for an account and injunction. On the face of the bill no question of jurisdiction could arise, but the testimony disclosed a case which plainly took it out of the field of federal jurisdiction. Blanchard owned a patent for a machine for cutting irregular forms. Sprague made a machine and used it under a written license for a year, renewable yearly for a certain tariff. After some years' use there was a dispute as to the rate of the tariff under a provision in the license that it might be raised upon six months' notice. The complainant insisted upon a higher rate, which Sprague refused to pay. He accepted the lower rate without waiving his right to recover the additional amount. It thus appeared that the whole dispute was about the amount of the tariff and depended entirely upon the construction of the agreement and the effect of the conduct of the parties. Upon this ground the court dismissed the bill, which was clearly in accordance with Wilson vs. Sanford and the other cases cited.

In Rich vs. Atwater, 16 Connecticut, 409, a bill in a State court to enforce by injunction the rights of the plaintiff under a special agreement made upon a license given to the defendant to use a patented invention, was sustained upon the ground taken in all the cases that the *gravamen* was the breach of the contract.

Middlebrook vs. Broadburt, 47 New York, was an action in equity upon a bond conditioned that if upon due examination of the record and of the letters patent granted, etc., it shall appear to be a fact that certain letters patent then sold to the plaintiff for making paper were good

and valid, and secured the exclusive right thereto, etc., then the bond to be void. Averment that they were not good, etc., but utterly valueless and secured no right to the patentee; prayer, that the contract of purchase be declared void and the note given therefor of $3,000 be delivered up to be cancelled, etc., and for damages, issue thereon.

After the case was tried upon its merits without objection as to jurisdiction, the point was taken on the appeal that the State court had no jurisdiction. The court sustained the action upon the ground that it was founded entirely upon the bond, and not upon any statute of the United States.

Hill v. Whitcomb, 1 Holmes, 317, was a case where the grantee of an exclusive right to use and vend a patented invention within a specified territory, brought a suit to restrain the use of such machines in that territory by a subsequent purchaser from the same grantor outside of the territory, with notice of the prior grant. It was held that he could not maintain the suit in his own name, and that it was not a suit arising under the United States patent laws, the controversy arising out of the contract and not out of the laws of the United States.

Rice v. Garrabrant, 34 Wise, 453, was an action to recover money agreed to be paid as royalty for exclusive right to use in a limited territory a patented machine. The defence was that the patent was void because the patentee was not the original inventor, and that it was an infringement of an older patent. It was held that although federal courts alone have jurisdiction to annul patents, yet as this was a money demand on contract, and the defence a failure of consideration, it could be maintained even though the failure arose out of the invalidity of the patent. This can be inquired of collaterally just as it might be shown that the machine was otherwise useless for any beneficial purpose and the contract therefore *nudum pactum*.

In Elmer v. Pennel, 40 Maine, 430, the action was on a

note, and the defence was that the consideration was a patent which was void. Here the court took the contrary view, and held that a State court could *not* decide the question, and that the defence was not admissible unless the patent had been declared invalid by a United States court having exclusive power to determine it.

From this review of the cases it will appear that wherever jurisdiction has been denied in suits relating to agreements concerning patents, it has been because the real subject matter of the controversy was the contract itself and the acts and estoppels of the parties arising out of it, and depended upon principles of ordinary common law or equity as indifferently administered by the state and federal courts.

It is also plain from these cases that if it had appeared in any of them that their correct decision would depend upon the construction of the claims of patents or the effect of the patent laws of the United States upon the rights of the parties—whether as plaintiffs or defendants—and whether, in respect to a right claimed or a defence interposed—the jurisdiction of the United States courts would have been upheld.

We claim that this case stands distinctly upon the latter ground, and is manifestly a "case arising under the constitution and laws of the United States;" under the constitution which provides that Congress shall have power to enact laws "to promote the progress of science and the useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;" and under the laws which have been actually enacted for this constitutional purpose.

It is indeed a case arising under the patent laws, and, therefore, *exclusively* within the jurisdiction of the courts of the United States.

Since the revised statutes such cases are in express terms within the exclusive jurisdiction of the courts of the United States.

"The jurisdiction vested in the courts of the United States in the cases hereinafter mentioned shall be exclusive of the courts of the several States:

* * * * * *

Fifth. "Of all cases arising under the patent or copyright laws of the United States."

The first act of 1790 made no provision as to jurisdiction.

The act of 1793 provided that suits might be brought in the court of the United States or *any other court having competent jurisdiction.*

The act of 1819 provided that the circuit courts of the United States should have original cognizance of such suits but did not expressly say *exclusive.*

The act of 1836 made substantially the same provision.

Under these laws the interpretation was that the jurisdiction was exclusive.

Curtis on Patents, section 496.
Dudley vs. Mayhew, 3 Const., 14.
Elmer vs. Pennel, 40 Maine, 434.
Parsons vs. Barnard, 7 Johns, 144.

The act of 1870 did not provide for the exclusion of State courts in express terms.

But in the revision this was expressly provided, and no further question can be made that a *case,* whether the point of the controversy which makes the case springs from the claim made, or the defence interposed, which, in fact, "arises under the patent laws of the United States," is within the exclusive jurisdiction of the courts of the United States.

But it is not necessary to maintain in this argument that this case so "*arises under*" the laws of the United States as to give them exclusive jurisdiction.

This is a question of *removal* under the act of 1875.

Before that act was passed, even a suit in equity for infringement in a State court between citizens of the same State, could not have been removed.

If any one had been ignorant enough to bring it, the easy defence would have been want of jurisdiction.

But the act of March 3, 1875, for the first time authorized the removal of all cases "arising under the constitution or laws of the United States," whether such cases were under the exclusive jurisdiction of the federal courts or not.

In fact it must be assumed that only those which could be determined indifferently in a State or federal court, could be in practice the subject of removal because no others could be brought in a State court.

Yet, as in this case, a plaintiff might so mistake his remedy as to bring what was really a patent case in a State court—or the defence offered might reveal it to be in effect a patent case—and then, like all other cases arising under the United States laws—and *a fortiori* because it is exclusively determinable under those laws, it is a proper case for removal.

In Claflin v. Houseman, 93 U. S., 130, this court points out the numerous instances in which the federal and State courts have concurrent jurisdiction over matters arising under the laws of the United States (except where the former are expressly made exclusive), and shows that it must follow necessarily that the federal courts must have exclusive jurisdiction in these cases or a power to revise the judgments rendered in them by the State tribunals.

The power to remove such cases given by the act of 1875, was conferred in order to hasten and simplify the exercise of this necessary power of revision. The need of its exercise and its constitutionality have been fully vindicated by this court in the recent case of Tennessee v. Davis, 100 U. S., 265.

And in all these cases, as the court remarks in the case just cited (page 140), "the question whether the State

courts possess this concurrent jurisdiction or not in a particular case, is a matter of construction of the acts relating thereto."

The question in this case then, is not whether it was properly brought in the State court, or whether it was one so strictly arising under the patent laws as to make it exclusively cognizable in the U. S. courts—but whether the real question between the parties, as developed at the time of removal, was one which arose out of the United States laws in such a way as to depend upon the construction of those laws, and their application to the matters in dispute between the parties. The learned judge of the Circuit Court seems to have lost sight of this, the actual question to be considered on a motion to remand.

He reasoned that the case was not strictly and directly a suit for infringement, and therefore the State court had jurisdiction, and he inferred from this that it was not properly removed.

He cited Meserole v. Paper Collar Co., 6 Blatch., 356, and other cases to show that State courts may inquire and adjudicate as to matters arising under the patent laws where they came up collaterally—even to the extent of deciding upon the validity of the patent—and he inferred that because State courts could so inquire and adjudge concerning the effect and construction of United States laws, cases involving such inquiries and considerations could not be removed.

That these are not just inferences is made plain by a statement made in the opinion of the judge (appellee's brief p. 14). He says, after stating the general nature of the controversy, "Questions of infringement and the construction of the claims of patents were thus necessarily involved; and it was assumed that they could *only* be adjudicated in the courts of the United States."

The learned judge wholly misapprehended the position of the defendants below. In fact, we made no brief and

took no position as to the matter of removal. Our argument was confined to the question of jurisdiction in equity. The complainant argued the question of removal in a brief afterwards submitted to the judge and not to us.

We made no such assumption as is suggested in the opinion, that the case could *only* be adjudicated in the United States courts.

We urged in the petition of removal the ground on which we placed it—and it was substantially the ground stated by the judge, viz., that "*questions of infringement and the construction of the claims of patents were necessarily involved*," and our inference was—not that the State court could not have adjudged the cause if we had chosen to leave it there—but that since it did necessarily involve questions of infringement and the construction of the patent laws, it was our right to remove the cause under the act of 1875, which makes *all* such cases removable,—and we were not bound to wait until questions of infringement of patents and construction of United States laws concerning patents had gone through the various courts of the State until they reached the last point from which they could be brought here for revision, as we would have been compelled to do before 1875.

Now after this explicit statement of the court below that this case does involve questions of infringement and the construction of United States laws, it seems superfluous to argue that it is necessarily "a case arising under United States laws," and therefore removable.

In the recent case on the subject decided in this court, (Railroad Co. v. Mississippi, 102 U. S., 135), the principles are so clearly laid down as to make further references unnecessary. As grouped in that case, the points are:

1. "That a case in law or equity consists of the right of one party *as well as of the other*, and may properly be said to arise under the constitution or a law of the United States, whenever its correct decision depends on the construction of either;

2. "That cases arising under the laws of the United States are such as grow out of the legislation of Congress, whether they constitute the right or privilege, or claim or protection, or *defence* of the party, in whole or in part, by whom they are asserted;

3. "That except in the cases of which this court is given, by the constitution, exclusive jurisdiction, the judicial power of the United States is to be exercised in its original or appellate form, or both, as the wisdom of Congress may direct;

4. "And that it is not sufficient to exclude the judicial power of the United States from a particular case, that it involves questions which do not at all depend on the constitution or laws of the United States; but when a question to which the judicial power of the Union is extended by the constitution, forms an ingredient in the original cause, it is within the power of Congress to give the Circuit Courts jurisdiction of that cause, although other questions of fact or of law may be involved in it."

These principles were thus clearly stated, covering the whole ground upon which the removal of cases involving federal questions rests, in a case where the question, as in this case, did not arise on the plaintiff's claim, but was developed by the defence.

The suit was by a State against a Railroad Company organized under the laws of Alabama, to obtain the removal of a stationary bridge as a nuisance, and compel the substitution of a draw-bridge, the river being navigable and open to the use of all citizens.

Nothing in this claim disclosed a federal question. But for the defence interposed, no doubt as to jurisdiction could have been entertained.

But the railroad company resisted this claim on two grounds: first, that their bridge was constructed as the *State* laws required; and, second, that by an act of Congress their railroad and bridges formed a postroad and they were authorized to maintain the bridge under that act, and

no court could abate it as a nuisance consistently with that act.

After this defence had been disclosed, the petition for removal was filed, setting forth the defence and claiming that the case had thus become one "arising under" the United States laws and was removable.

The State court refused to order the removal, and proceeded with the case against the protest of the company, and this was affirmed by the highest court of the State, and so the case came at last to this court by the circuitous route which was always necessary between citizens of the same State before the act of 1875.

This court held that although it involved the construction of State laws and general equity principles, it still embraced "a real and substantial dispute or controversy, which depended altogether upon the construction and effect of an act of Congress," and was therefore removable, and the court laid down the general rules governing the subject quoted above.

In Littlefield v. Perry, 21 Wall, 205, it was held that a party to whom a conveyance of a patent for certain territory had been made on an agreement to sell the goods and to pay royalties, which was duly recorded, could sue in the United States courts as an assignee, notwithstanding an unrecorded agreement of the same date that the assignee should not have the right to apply the invention to one special purpose, reserved to the patentee.

The court held that "if they were not technically assignees they held a right under the patent, and that to determine the suit it is necessary to inquire whether there has been an infringement, and that involves a construction of the patent. * * An action which raises a question of infringement is an action arising "under the law," and one who has the right to sue for the infringement, may sue in the Circuit Court. Such a suit may involve the construction of the contract as well as the patent, but that will not

oust the court of its jurisdiction. If the patent is involved it carries with it the whole case."

Upon these well settled principles, it seems plain that this case must be held to be one "arising under the laws of the United States."

1. The plaintiff's claim is for an account of royalties due under an agreement to take an assignment of patents without consideration (which is in effect taking an exclusive license), and to work the patents and defend them against infringers, paying specified royalties.

2. If, the agreement and the validity of the patents being admitted, the only defence was payment in full, or failure of the plaintiff to comply with his agreement, or some other defence arising out of the contract or acts of the parties, and not out of the construction of the patents; then it may be conceded that the case is governed by Hartell v. Tighlman, and the cases there cited, and was not removable.

3. But the plaintiff, having an agreement with *two* parties concerning patents assigned, brings his suit against *three* parties, composing a firm which he alleges is using the assigned patents without paying the royalties agreed on by two of the individuals composing the firm. He seeks an account for the use of his patents from a firm with which he has no contract whatever concerning them, one of whose members was an old litigant against his patents, and still denies their validity.

He claims to inspect the books of this firm to discover whether they are infringing his patents which are really held by two of the firm, as individuals, in trust, to work and defend them for him at agreed royalties, or whether they are preventing his trustees from faithfully fulfilling their contract with him before the firm was organized.

4. His claim is in effect a charge of infringement against the firm, in collusion with two of its members to enable them to violate their agreement.

It is indeed the old litigation revived. Before the firm was formed, Albright & Cahoone, holding Teas' patents, were bound to defend them against Tompkins, and did so in the direct form of suits for infringement.

It was thought wise by all to end this litigation, and the natural end was *combination*.

Now the firm can make goods under all the patents, for the various members of it hold all.

But Albright & Cahoone hold Teas' patents in trust for him and for his benefit in royalties—as patentees generally get their benefit.

He naturally suspects an antagonism of interests. He claims that all the goods made under all the patents—his and Tompkins'—and the other patents owned by defendants, should pay tribute to him.

This is a claim that the old patent suit against Tompkins should have been decided in his favor; indeed it is, in effect, a trial of *that case*.

It is to claim that Tompkins, through his new firm is infringing his patents in all the goods his firm are making under his own.

5. Thus his suit is founded on the assertion that in virtue of the Act of Congress under which his patents were granted, and on a proper construction of those patents and the United States laws on the subject, he is entitled to claim from Tompkins' firm the same royalty on goods made under his (Tompkins') patents that the other two members agreed to pay him, Teas, on goods made under his (Teas') patents.

And thus the questions necessarily involved are:

a. Whether the Tompkins patents are valid, and prior to Teas'.

b. If so, whether the goods in controversy are made

exclusively under them, or also embrace the improvements secured to Teas.

c. If they do, what proportion of the agreed royalty is properly payable to Teas as arising out of the patents held by the other two partners for his benefit.

6. These questions arise even upon the plaintiff's claim, but they are brought out more distinctly by the defence and the subsequent proceedings.

The defence asserts that full payment on all goods sold under his patent has been made; that if he claims more it is because he unjustly claims that goods made under Tompkins' patents infringe his; that they do not so infringe; and that as individual contractors with him Albright & Cahoone have fulfilled their agreement, and as members of the firm the three in making goods under Tompkins' patents, which they own, do not invade his rights.

7. By the subsequent proceedings, all questions but these have been actually eliminated, although if they had not been, their presence would not prevent the removal. By the letter of October 14, 1879, and the reply of October 27, 1879, the articles admitted to have been made under the Teas patents are pointed out, and as to the others the distinct defence is made that they are not within the scope of the protection he has secured under the patent laws.

In pursuance of this, and by mutual agreement the interlocutory decree of June 24, 1880, was made, referring it to a master to ascertain whether anything remained due on these goods at the filing of the bill.

The master's report has been made, and as to these goods all dispute is ended.

Whatever controversy remains is concerning the goods which Tompkins claims are covered by his patents, and which Teas claims ought to be held to be embraced by his.

It is in fact such a question as is often presented after an

injunction in a patent case, where one party claims that the injunction has been violated and the other claims that the goods claimed to be violations, do not properly come within the scope of the decree on which the injunction was based. Such questions are usually brought up by motions for attachment, but in whatever form they arise they are manifestly federal questions, and can only be adjudged in a court of the United States.

8. This is not only a federal question, but exclusively a federal one. No State court is competent to decide it. To submit it to a State equity tribunal would be a burden to the tribunal and an utterly futile proceeding to the parties. It would have to come here at last by the long and expensive way of appeal from the decree of the Court of Errors and Appeals, which would be even less competent to deal with it.

9. The simple and direct way—the very way the act of 1875 was designed to furnish—is to remove the case to the United States courts as soon as its real nature is disclosed, and it appears—whether from the answers, the stipulations, the evidence, the orders of the court, or the petition of appeal, that the case is really one arising under the constitution or laws of the United States, because "its correct decision decision depends on the construction of either."

10. In this case the appellee, by one of the stipulations to be found among the papers printed for this motion, made upon offering his patents in evidence, stated that these patents were "*the subject of the controversy.*"

The judge in his opinion remanding the cause stated that it was "one necessarily involving questions of infringement and the construction of the claims of patents."

It was held in Brooks v. Stolley, 3 McLean, 523, that although a suit on a contract concerning a patent, if no

rights are involved except those arising out out of the contract, does not arise under the laws of the United States—yet if such rights do arise, and the case involves considerations springing out of the patent laws and their construction—the case is one of federal jurisdiction.

And in Railroad Co. v. Mississippi, this court has stated as settled law, founded on a long line of decisions, that a case in law or equity consists of the right of one party as well as of the other, and is a case arising under the constitution or laws of the United States, whenever its correct *decision* depends on the construction of either.

It is manifest from the facts of the case as shown by the pleadings and stipulations, and stated by the court below in its opinion, that this case—as to both claim and defence—arises under the laws of the United States, and that its correct decision must depend on the construction of such laws.

The order of the court remanding the cause should therefore be reversed, and the cause be remitted to the Circuit Court for final hearing.

A. Q. KEASBEY,
J. C. CLAYTON,
Of Counsel with Appellants.

December 27, 1882.
Newark, N. J.

16-613

SUPREME COURT, U. S.
FILED
DEC 15 1882
JAMES H. McKENNEY, Clerk.

IN THE

UNITED STATES SUPREME COURT.

OCTOBER TERM, A. D. 1882.

ANDREW ALBRIGHT ET AL., *Appellants,*

vs.

ANDREW TEAS, *Appellee.*

No. 1134.

Brief of Appellee, on motion to advance and dismiss under the 32d rule.

WALTER H. SMITH,
KING & WOODRUFF,
Attorneys for Appellee.

R. O. POLKINHORN, PRINTER.

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ANDREW TEAS, *Appellee.*

No. 1134.

Brief of Appellee, on motion to advance and dismiss under the 32d rule.

This cause was originally commenced in the State court, in the County of Essex and State of New Jersey.

It was a bill in chancery, asking for an account and for general relief. It alleged that Andrew Teas, complainant, now appellee, was the original inventor and patentee of certain articles, called, in the letters-patent issued to him, "Improvements in Coach-pads;" "Improvements in Harness-saddles;" and "Improvements in Saddle-trees;" and that said letters-patent were of the value of fifty thousand dollars, and were all valid and in full force.

It further alleged that the said Teas assigned all of said letters-patent to the said Andrew Albright and Edwin R. Cahoone, respondents, and now appellants, and that the said respondents, in consideration of said assignment, covenanted that they would use their best endeavors to have

said inventions worked, and the goods manufactured thereunder sold to the best advantage for themselves and said complainant, and that they would pay to the said complainant certain royalties, therein specifically set forth, and a certain per centum on the gross amount of sales of all the goods made and sold under said letters-patent; and that their books of account should be open to the inspection of the said complainant or his agent.

The bill further alleged that the said respondents have not kept their said agreement; that they manufactured a large amount of goods, but have failed to pay the royalties and percentage agreed upon, and to allow their books to be inspected by complainant.

It also alleged that the said respondents, after having carried on the said manufacturing business for a time, associated with them one Samuel E. Tompkins, and thereafter conducted said business in connection with him, and have failed to comply with their agreement, and account for royalties and percentage due from them and the said Tompkins.

The bill prayed that an account might be taken, and the respondents, Albright and Cahoone, decreed to pay to complainant such sum as might be found due, and for other and proper relief.

The said respondents, Albright and Cahoone, answered and admitted the issuing of the letters-patent to complainant, and their assignment to them, but did not admit or deny that he was the original inventor of the said improvements. They alleged that the said Tompkins, after his association with them, "disputed the validity and value of the patents referred to in said agreement, and has claimed that they were all anticipated by his own patents, and that any goods made under them were infringements of his patents, and that, so far as he is concerned, he is not bound to pay any royalties or percentages to the complainant."

Tompkins filed a separate answer, in which he admitted that complainant was the patentee of the improvements alleged in the bill, and that letters-patent had issued to him, as therein alleged, but he did not admit or deny that he, the said complainant, was the original inventor of said improvements.

He did allege that the improvements of complainant "had been in a great measure superseded and rendered useless by the various patents of this defendant, now used by the said firm;" and "this defendant, although disputing the validity of said patents, has always desired to enable the said Albright and Cahoone, his partners, to fulfil their agreement fairly with the complainant."

Replications were filed and some testimony taken, when the respondents filed a petition for removal of the cause to the Circuit Court of the United States. In this petition, they allege that all the parties are citizens of the State of New Jersey, and that the suit is one arising under the patent laws of the United States, and exclusively within the cognizance of the courts of the United States, and removable under the act of March 3, 1875.

The cause remained in the Circuit Court for some time and was being proceeded in with common consent, until, some misunderstanding arising among counsel, a motion was made by complainant to remand it to the State court.

This motion was granted, and the cause remanded; and from the order remanding the case an appeal has been taken to this court, and the question, and the only question, now presented is, did the Circuit Court have jurisdiction?

We maintain that it did not. It did not have jurisdiction on account of the citizenship of the parties, for they are all admitted to be citizens of New Jersey. If it had jurisdiction at all, it must have been because the matter in dis-

pute between the parties arose "under the laws of the United States."

Section 1, Act of March 3, 1875.

But the matter in dispute did not arise "under the laws of the United States" in the sense in which that phrase is used in the statute. It arose under an agreement by which the complainant transferred his letters patent and all the interest he had, or could have, under them to the respondents—Albright and Cahoone. Thereafter they became the owners of the patents; and the only interest that complainant had was the right, given to him by his contract, of requiring the purchasers to account to him for royalties and percentage.

His right of action was founded upon this agreement and not upon the letters patent. His suit was for a breach of this personal contract, and not for the purpose of establishing any right under the grant of the letters patent.

If any question could arise as to the validity of the patents, it was collateral to the main inquiry.

Indeed, it may well be doubted whether, under the allegations of the answer in this case, it would be competent to go into such an inquiry, and for the reason that no such issue is made by the pleadings.

But, however, that may be; it is quite clear, as we think, upon principle and authority, that the case is not one arising "under the laws of the United States."

Goodyear vs. *Day*, 1 Blatch., 565;
Goodyear vs. *Union Rubber Co.*, 4 do., 63;
Merserole vs. *Union Paper Co.*, 6 do., 356;
Blanchard vs. *Sprague*, 1 Cliff., 288;
Burr vs. *Greyory*, 2 Paine, 426;
Hill vs. *Whitcomb*, 1 Holmes, 317;
Rich vs. *Atwater*, 16 Conn., 409;
Middlebrook vs. *Brodbent*, 47 N. Y., 443;

Slemmer's Appeal, 58 Pa. St., 164;
Spearman vs. *Transportation Co.*, 31 Vermont, 16;
Rice vs. *Gamhart*, 34 Wis., 453;
Lendley vs. *Roraback*, 4 Jones' Eq., 124.

This court considered the question in *Wilson* vs. *Sandford*, 10 How., 99, and determined it against the jurisdiction.

Mr. Chief Justice TANEY, in delivering the opinion of the court, said:

> "Now, the dispute in this case does not arise under any act of Congress, nor does the decision depend upon the construction of any law in relation to patents. It *arises out of the contract stated in the bill*, and there is no act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles."

The doctrine of this case was affirmed in *Hartell* vs. *Tilghman*, 99 U. S., 547.

The dissenting justices admitted the rule as we claim it. Mr. Justice BRADLEY, who delivered the dissenting opinion, said:

> "It is perfectly well settled, I admit, that where a suit is brought on a contract of which a patent is the subject-matter, either to enforce such contract, or to annul it, the case arises on the contract, or out of the contract, and not under the patent laws."

We close our citation of authorities by inviting the attention of the court to the lucid and learned opinion, hereto attached, of Judge NIXON, who remanded this case to the State court. We ask that our motion may be granted.

WALTER H. SMITH,
KING & WOODRUFF,
Attorneys for Appellee.

UNITED STATES CIRCUIT COURT,

District of New Jersey.

ANDREW TEAS.
vs
ANDREW ALBRIGHT, *et al.* } *In Equity.*

By NIXON, District Judge.

The bill of complaint in this case was originally filed in the Court of Chancery of New Jersey, and sets forth that the complainant, being the owner of several valuable patents, did, on the first of February, 1876, enter into an agreement with two of the defendants, Cahoone and Albright, to make an assignment of the letters-patent to them, in consideration of their paying to the complainant certain royalties from the profits derived from the sale of the goods manufactured under the said inventions.

It alleged that the complainant had never been able to obtain proper access to the books of account of the said defendants, although the agreement stipulated that during all the time of its continuance their books should be open to his or his agent's inspection, for examination; that he had received five several statements from Cahoone and Albright and their agents since the execution of the agreement, from which it appeared that the complainant had been credited with the total sum of nine hundred and twenty-five and $\frac{3}{100}$ dollars, and charged with the sum of seven hundred and eighty-seven and $\frac{16}{100}$ dollars, and that the said statements were grossly erroneous and false, both as to the credit and charges; that for some time after the execution of the agreement the said Cahoone and Albright carried on the business of manufacturing the goods described in the said patents, under the name of the Cahoone Manufacturing Company; that afterwards one Samuel E. Tompkins was taken into the business, and it was transacted under the name of "Samuel E. Tompkins, Cahoone & Co.," and that the books of these respective firms contain many items of which it is necessary for the complainant to have information, for the purposes of this suit, and in which the said

Tompkins has some kind of interest; that the accounts between the complainant and Cahoone and Albright are mutual and complicated, arising from the unsettled differences existing between them as to the amount with which the complainant should be charged by the defendants, and from the way in which goods have been manufactured under the said patents—the defendants applying, in some cases, the principles of several patents to a single article of manufacture.

The prayer of the bill is, that the defendants may make a full and true discovery and disclosure of and concerning all the accounts, transactions and matters aforesaid, and that an account may be taken under the direction of the Court of all dealings and transactions heretofore had between the parties, concerning the royalties and percentages claimed by the complainant under and by virtue of the said agreement, and that Cahoone and Albright may be charged with the aggregate amounts of said royalties, with lawful interest thereon from the time that the same became due, and that the said sum may be decreed to be paid by the said Cahoone and Albright to the complainant, no decree being asked for against Tompkins.

To the bill, Cahoone and Albright have signed a joint and several answer, and Tompkins a several answer.

The former admit that the agreement between them and the complainant was duly executed, and is in full force; that the patents were assigned to them by the complainant as alleged; that the patented improvements have been applied by them, in connection with other improvements owned and controlled by them, in the manufacture of harness goods, and that the only consideration for the assignment of the patents was that specified in the agreement. They deny the allegations of the bill, that they have refused to the complainant proper access to their books; that they have not rendered true semi-annual statements of the accounts; that they are indebted to complainant in any sum for royalties due on manufactured goods; and that the accounts between them and the complainant are complicated, or that it will be tedious and difficult to ascertain the amounts due from time to time, under a fair construction of the agreement: although they admit that, in manufacturing the goods for the market, they have necessarily made them in such manner as required the application of the

principles of several patents to one article, including patents not embraced within the scope of the agreement.

They further allege, that at the time of the execution of the agreement with the complainant they were engaged in earnest litigation with Tompkins concerning the validity of certain patents for improvements in saddle trees, owned by the said Tompkins, and concerning alleged infringements of said patents, and that in consequence of said litigation, and the rivalry in business between them, great injury resulted to the trade of both parties; and that in October, 1877, an agreement was made between them to cease litigation and unite their business, and since that time said business has been carried on in the name of "Samuel E. Tompkins, Cahoone & Co.," which firm has been entitled to use all of the patents owned by the defendants and by said Tompkins, including the improvements embraced in the patents assigned to them by the complainant; and that they, before the said change in their business, and the new firm, since the change, have applied and used these patents, to a greater or less extent, in manufacturing certain goods, in connection with other improvements covered by other patents owned by them, and that both before and since said change they have carefully kept account of all the goods which embraced any of the improvements covered by the patents assigned by the complainant, although such improvements have been in a great measure superseded and rendered useless by the control of the various patents of Tompkins, with whom they were in litigation at the time of the agreement; and that such books have been, at all reasonable times, open to the inspection of the complainant, and full statements and accounts therefrom have been from time to time furnished to him and made the basis of frequent payments, under the said agreement.

Their answer also sets up, that the firm of Samuel E. Tompkins, Cahoone & Co. is largely engaged in the manufacture of saddlery and saddlery hardware; that its business embraces a large variety of goods which have no relation to the improvements covered by any of the patents referred to in the agreement with the complainant; and that many of said goods which do embrace such improvements also embrace improvements covered by patents, being over seventy in number, owned by said Tompkins and others; that Tompkins has always disputed the validity and value

of the patents referred to in said agreement, and has claimed that they were all anticipated by his own patents, and that any goods made under them were infringements of his patents; and that so far as he was concerned, he was not bound to pay any royalties to the complainant: but that they (Cahoone and Albright), desiring to fulfill their agreement fairly, have always caused accounts to be kept of all goods which, on any reasonable construction, could be held to embrace or contain any of the improvements covered by any of the patents assigned by complainant, and both before and since said change in the firm have paid all sums of money due under said agreement, in full; and that if complainant demanded any further payment, or sought to make further examination of said books, it was only because he claimed, without reason, that goods made under the patents of Tompkins were infringements of his patents, assigned to defendants; and they allege that the question of such infringement could not be tried in this suit, involving a subject over which the Court had no jurisdiction, and that if anything remained due to complainant under the agreement, he had a full, complete and adequate remedy at law for the recovery of the same, praying that they might have the same advantage of said defence as if they had demurred upon that ground.

The answer of Tompkins presents substantially the same and no new or different questions.

A replication was duly filed, and the parties proceeded to take their testimony. As this seemed to be turning largely upon the fact of infringement, and matters of construction of different patents, all the defendants joined in a petition to the Chancellor for an order to remove the cause into this Court, on the ground "that the suit arose under the patent laws of the United States, and that the substantial controversy was one depending upon the construction of said laws, and was exclusively within the cognizance of the Courts of the United States, and that the suit was removable under the act of Congress of March 3, 1875."

The record being filed, the complainant gave notice of a motion to remand the case to the State Court; but before it came up for decision, under some arrangement between the parties, it was not urged; the testimony was completed, and the case put on the calendar for final hearing.

Before any argument upon the merits, the counsel for the defendants suggested that the pleadings raised the question of jurisdiction, and insisted that the Court could not entertain the suit in equity, because the complainant had a plain, adequate and complete remedy at law. § 723 of Rev. Stat. The Court was asked to dismiss the case upon that ground.

The counsel for the complainant replied that their motion to remand the suit to the State Court had never been disposed of, and had been waived only upon the express understanding that all parties should agree to an adjudication here upon the merits, and that if the Court was disposed to listen to the technical objection, that the form of the action should have been legal, and not equitable, then their motion to remand was renewed and the judgment of the Court invoked upon that question.

It is claimed that the removal was made under the act of March 3, 1875. The fifth section of that act provides that "if in any suit removed from a State Court to the Circuit Court of the United States it shall appear to the satisfaction of said Circuit Court, at any time after the suit has been removed thereto, that such suit does not really and substantially involve a dispute or controversy properly within its jurisdiction * * * the said Court shall proceed no further therein, but shall dismiss the suit or remand it to the Court from which it was removed, as justice may require."

The Court, then, not only has the authority, but is charged with the duty, on its own motion, or at the suggestion of the parties, at any time, to dismiss or remand a suit removed here from a State Court whenever it may appear that the dispute or controversy does not come within the provisions of the law.

Looking carefully into the second section of the act, which sets forth the causes that are removable from the State to the Federal Courts, it is clear that the removal cannot be justified unless the matter in dispute between the parties has arisen "under the laws of the United States."

The character of the controversy must be determined by the record. Turning to that, I find that the suit was commenced by filing a bill in the Court of Chancery of New Jersey, for an account of business transactions growing out of a written contract between the parties. This contract

embraced the transfer or assignment of certain patents from the complainant to the defendants, Cahoone and Albright, and their agreement to pay a specified royalty from the profits of their business, on all goods manufactured and sold which embraced the patented improvements. The gravamen of the action was the failure of the defendants to perform their personal covenants, and was not to vindicate any rights which had been vested in the complainant under a law of the United States.

All rights that men have in patents are secured to them by Federal laws, and all controversies which directly involve the validity of patents, or which are for the recovery of damages and profits for their infringements, are exclusively cognizable in the Federal Courts. This is elementary knowledge. But when a patentee sells out *all* his interest in the patent, how can any right remain which is secured to him by an act of Congress?

Some confusion on this subject has, doubtless, arisen from the fact that the Courts of the United States have often exercised jurisdiction over contracts for license to use patented inventions, granting relief to licensors where the licensees have failed to perform their covenants. But it will be found in all such cases that not only has the ownership of the patent been retained by the licensor, but the right of the licensee to use the patent has been conditioned on his performing certain acts or paying certain royalties. *Brooks & Morris* vs. *Stolley*, 3 McLean, 523, affords a good illustration of a case of this kind. The complainants were the assignees of the Woodworth planing patent for Hamilton County, State of Ohio, and as such, licensed the defendant to run a machine in that county, under a sealed contract, in which the licensee's right to use the machine was expressly conditioned on his paying $1.25 for every thousand feet of boards planed, to be paid on Monday of each week; and further, that he should render an account, if required, under oath, and also keep books to which the complainants should have access, and in which all boards planed should be entered.

After complying with the contract for some time, by paying according to its terms, the licensee refused to make any further payments, although he continued to use the machine. The bill was filed for an injunction restraining its further use. Objection was raised to the jurisdiction of

the Court, but Mr. Justice McLean overruled the objection, on the ground that the suit was not to enforce the contract, but to secure to the licensor the rights in the patent which he had reserved, on the failure of the licensee to perform his covenants; that his only authority for using the machine grew out of the contract, and that the Court could not allow him to repudiate the contract, and still use the machine. "If," he added, "the object of the bill were merely to enforce a specific execution of the contract, the Circuit Court of the United States could exercise no jurisdiction in the case."

In *Hartell* vs. *Tilghman*, 99 U. S., 555, an intimation is thrown out that Mr. Justice McLean went too far in this case, in maintaining the jurisdiction of the courts of the United States; but we may safely concede all that is claimed, and then find ample ground for denying the jurisdiction in the present case.

There is no pretence, in the present suit, that the complainant reserved any interest, absolute or contingent, in the patents which he assigned. He only retained certain royalties in the profits, and the bill is filed to have an account taken of them.

The case cannot be distinguished in principle from those of *Goodyear* vs. *Day*, 1 Blatch, 565, and *Goodyear and Judson* vs. *The Union Rubber Company*, 4 Blatch., 63. The last-named case was very similar to the one under consideration in all its facts and aspects, except that the defendants were licensees and not grantees. The owner of a patent granted a license, with covenants that the licensee should pay certain tariffs, and keep correct accounts, and permit his books to be examined; but there was no express provision that, if the covenants were broken, the rights granted should revert to the licensor. A bill was filed by the licensor against the licensee, praying for a decree that the covenants should be performed, and for an injunction to prevent the use of the patent, under the license, until the covenants should be performed. The citizenship of the parties not giving the court jurisdiction, the question was raised and argued whether the action could be maintained.

It was held that the subject matter did not give a Federal Court jurisdiction; that the suit was not one to pre-

vent the violation of any right of the licensor, secured by any law of the United States, but to prevent the violation of the rights secured by the covenants of the license, and that the court had no jurisdiction of the case. The reasoning of the learned judge seems quite conclusive. "If," says he, "in the use of the thing granted, the licensee does not perform his covenants, although there is, by such non-performance, a violation of the rights of the patentee, such violation is not a violation of the rights of the patentee as secured by a law of the United States, but a violation of his rights as secured by the covenants. He has, by the license or grant, parted with a portion of that which was secured to him by the laws of the United States, and has, in lieu thereof, taken a right secured by a covenant. If a patentee parts with the whole right secured by his patent, either for cash, or upon the purchaser's entering into a covenant to pay him a certain sum of money, or to do certain other things, the patentee has, after such sale, no right vested in him secured by any act of Congress. A suit to enforce the covenant would not be a case arising under a law of the United States. The use of the whole thing sold cannot be a violation of any rights of the patentee secured by the laws of the United States, so long as the deed of sale remains in full force, for he has parted with all such rights. And when a portion of the right is parted with, the rule must be the same, as it respects such portion."

See, also, *Blanchford* vs. *Sprague*, 1 Cliff., 289, and *Merserole* vs. *The Union Paper Collar Company*, 6 Blatch., 356, in which the ground is distinctly taken that the subject-matter of contracts made in relation to patent rights does not give the courts of the United States jurisdiction in suits to enforce them.

But without dwelling upon these cases, determined in the subordinate courts of the United States, the Supreme Court, in *Wilson* vs. *Sanford*, 10 How., 99, put the question at rest by refusing to entertain jurisdiction of a suit which was brought by the grantor of a license, to avoid a license, on the ground that the grantee had not complied with the terms of the contract. As neither the citizenship of the parties, nor the amount involved in the litigation, gave the court jurisdiction, the only question was, whether it was "a case arising under any law of the United States

granting or confirming to inventors the exclusive right to their inventions or discoveries."

The Court, speaking by Chief Justice Taney, said it was not such a case; that the dispute did not arise under Act of Congress, nor did the decision depend upon the construction of any law in relation to patents. "It arises," he continues, "out of the contract stated in the bill; and there is no act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles."

The ground for the removal alleged in the petition to the Chancellor was, that "the suit arose under the patent laws of the United States, and that the substantial controversy was one depending upon the construction of said laws."

This view was doubtless taken because the pleadings and the evidence tend to reveal that the dispute between the parties arose about the manufacture and sale of certain saddle-trees and gig-saddles, the complainant insisting that they embraced the inventions and improvements of the letters-patent which he had assigned to the defendants, and they, in their turn, maintaining that they were not subject to the royalties and percentages of the agreement, because they were constructed under other letters-patent in which the complainant never had an interest. Questions of infringement and the construction of the claims of patents were thus necessarily involved, and it was assumed that they could only be adjudicated by the courts of the United States.

But the decisions of the courts do not justify any such assumption. Thus, in *Rich* vs. *Atwater*, 16 Conn., 409, where a bill was filed for a discovery, account, and an injunction, and where the question of the validity of the Woodworth patent was raised by the pleadings, the Supreme Court of Errors of Connecticut held that, though the validity of a patent, when directly involved, was within the exclusive jurisdiction of the Federal courts, yet when it came in question collaterally it was the proper subject of inquiry and adjudication in the State courts.

In *Middlebrook* vs. *Brodbent*, 47 N. Y., 443, the Court of Appeals of New York, after a very full argument, decided that a State court had jurisdiction of an action founded upon a contract, although the validity of patent was involved therein.

And in *Merserole* vs. *The Paper Collar Company*, *supra*, Judge Blatchford held that a State court had jurisdiction to decree a license under a patent to be void; and if, in the investigation, that court was obliged to inquire collaterally into the novelty and validity of the patent, as a consideration for the license, such inquiry would not deprive the State court of jurisdiction or confer it on a court of the United States.

Being then clearly of the opinion that the removal here was without the authority of law, I remand the cause to the State court, without any expression of judgment on the question whether the complainant has mistaken his remedy by proceeding in equity rather than at law. If that question is presented to the learned Chancellor of the State, I have no doubt he will give it a patient hearing and a wise determination.

The case is remanded with costs.

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